

# **SaskPower** Shand Greenhouse

A SUBSIDIARY OF SASKPOWER | FINANCIAL STATEMENTS 2008



## REPORT OF MANAGEMENT

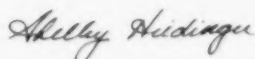
The financial statements of *Brown Consolidated Inc. (Bask-Brown Consolidated)* are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles, applied on a basis consistent with that of the preceding year. The preparation of financial statements necessarily involves the use of estimates based on management's best judgment, particularly when transactions affecting the current period cannot be finalized with certainty until future periods. In management's opinion, the financial statements have been properly prepared within the framework of selected accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, information available up to January 12, 2009.

Management maintains appropriate systems of internal control which provide reasonable assurance that the Corporation's assets are safeguarded and appropriately accounted for, that financial records are relevant, reliable and accurate and that transactions are executed in accordance with management's authorization. This system includes corporate-wide policies and procedures and appropriate delegation of authority and segregation of responsibilities within the organization.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. At regular meetings the Board of Directors reviews audit, internal control and financial reporting matters with management and the external auditors to satisfy itself that each is properly discharging its responsibilities. The financial statements and the external auditors' report have been approved by the Board of Directors. The external auditors have full and open access to the Board of Directors, with and without the presence of management.

The financial statements have been examined by Meyers Norris Penny LLP, Chartered Accountants. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report, which follows, outlines the scope of their examination and sets forth their opinion.

On behalf of management,



Shelley Heidinger  
Acting Manager  
January 12, 2009

To the Members of the Legislative Assembly of Saskatchewan

We have audited the statement of financial position of *SaskPower Shand Greenhouse Inc.* as at December 31, 2008, and the statements of income and comprehensive income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2008, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Meyers Morris Penny LLP*

Chartered Accountants

Estevan, Saskatchewan

January 12, 2009

## STATEMENT OF INCOME AND COMPREHENSIVE INCOME

For the year ended December 31	2008	2007
<b>Revenue</b>		
Contract revenue earned (Note 9)	\$ 861,208	\$ 987,787
Other revenue (Note 10)	20,700	-
<b>Total revenue</b>	<b>881,908</b>	<b>987,787</b>
<b>Expense</b>		
Operating, maintenance and administration (Note 12)	710,155	651,533
Depreciation	171,753	166,590
Write-down of construction in progress (Note 5)	-	169,664
<b>Total expense</b>	<b>881,908</b>	<b>987,787</b>
<b>Net income</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>\$ -</b>	<b>\$ -</b>

See accompanying notes

## STATEMENT OF RETAINED EARNINGS

For the year ended December 31	2008	2007
<b>Retained earnings, beginning of year</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net income</b>	<b>-</b>	<b>-</b>
<b>Retained earnings, end of year</b>	<b>\$ -</b>	<b>\$ -</b>

See accompanying notes

# STATEMENT OF FINANCIAL POSITION

As at December 31

2008

2007

## ASSETS

### Current assets

Cash	\$ 7,005	\$ 12,227
Accounts receivable	-	109
Inventory	34,860	38,484
	<b>41,865</b>	<b>50,820</b>

### Property and equipment (Note 4)

**3,211,377** 3,325,994

### Total assets

**\$ 3,253,242** \$ 3,376,814

## LIABILITIES AND EQUITY

### Current liabilities

Accounts payable and accrued liabilities	\$ 65,649	\$ 32,936
	<b>65,649</b>	<b>32,936</b>

### Due to SaskPower (Note 6)

**3,187,583** 3,343,868

### Total liabilities

**3,253,232** 3,376,804

### Equity

Share capital (Note 7)	10	10
Retained earnings	-	-

### Total equity

**10** 10

### Total liabilities and equity


**\$ 3,253,242** \$ 3,376,814

See accompanying notes

On behalf of the Board:



D. Packet  
Director



K. Scobie  
Director

# STATEMENT OF CASH FLOWS

For the year ended December 31

	2008	2007
<b>Operating activities</b>		
Net income	\$ -	\$
Add items not involving cash:		
Depreciation	171,753	166,590
Write-down of construction in progress	-	169,664
Net change in non-cash working capital:		
Accounts receivable	109	(109)
Inventory	3,624	(9,758)
Accounts payable and accrued liabilities	32,714	3,866
<b>Cash provided by operating activities</b>	<b>208,200</b>	<b>330,253</b>
<b>Investing activities</b>		
Purchase of property and equipment	(57,137)	(7,590)
<b>Cash used in investing activities</b>	<b>(57,137)</b>	<b>(7,590)</b>
<b>Financing activities</b>		
Repayment of due to SaskPower	(156,285)	(312,626)
Overhead chargeback to SaskPower	-	2,550
<b>Cash used in financing activities</b>	<b>(156,285)</b>	<b>(310,076)</b>
<b>(Decrease) increase in cash</b>	<b>(5,222)</b>	<b>12,587</b>
<b>Cash, beginning of year</b>	<b>12,227</b>	<b>(360)</b>
<b>Cash, end of year</b>	<b>\$ 7,005</b>	<b>\$ 12,227</b>

See accompanying notes

**1. STATUS OF THE CORPORATION**

Power Greenhouses Inc. (the Corporation), a wholly-owned subsidiary of Saskatchewan Power Corporation (SaskPower), was incorporated pursuant to *The Business Corporations Act (Saskatchewan)*. Accordingly, the financial results of the Corporation are included in the consolidated financial statements of SaskPower.

The mandate of the Corporation is to operate a greenhouse to provide tree seedlings for the purpose of afforestation. The Corporation entered into an agreement with SaskPower, whereby it operates the greenhouse and in turn SaskPower funds the Corporation for costs incurred. As a subsidiary of a provincial Crown corporation, the Corporation is not subject to federal income tax, provincial income tax or federal large corporations tax.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered significant:

**(a) Use of estimates**

The timely preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates primarily related to unsettled transactions and events as of the date of the financial statements. Significant areas requiring the use of management estimates are described in the following summary of significant accounting policies. Actual results could differ from those estimates, which may impact the actual results reported in future periods.

**(b) Revenue recognition**

Contract revenue earned is based on total expenses incurred during the year.

**(c) Inventory**

Inventory is valued at the lower of cost or net realizable value with the cost being determined on a first-in, first-out basis. In establishing the appropriate provision for inventory obsolescence, management estimates the likelihood that inventory on hand will become obsolete due to changes in technology.

**(d) Property and equipment**

Property and equipment is recorded at original cost and includes material, direct labour and overhead costs. Assets under construction are recorded as construction in progress until they are operational and available for use, at which time they are transferred to property and equipment. Amortization is calculated on a straight-line basis over the estimated service life of the related asset as set out below:

Buildings	40 years
Equipment	7 years

**(e) Asset impairment**

The Corporation evaluates its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. Factors which could indicate an impairment exists include significant changes in the Corporation's strategy or underperformance of assets relative to projected future operating results. An impairment is recognized when the carrying amount of an asset exceeds the undiscounted projected future net cash flows expected from its use and disposal. It is measured as the amount by which the carrying amount of the asset exceeds its fair value. As at December 31, 2008, the Corporation determined that there was no impairment of value to its long-lived assets and therefore no write down was required.



**(f) Financial instruments**

The Corporation classifies its financial instruments into one of the following categories: held-for-trading; held-to-maturity; loans and receivables; available-for-sale; and other liabilities. All financial instruments are measured at fair value on initial recognition and recorded in the balance sheet. Transaction costs are included in the initial carrying amount of financial instruments except for held-for-trading instruments, in which case they are expensed as incurred. Measurement in subsequent periods depends on the classification of the financial instrument.

Held-for-trading financial assets and liabilities are subsequently measured at fair value with changes in fair value recognized in the statement of income in the line item to which the financial instrument is related. Available-for-sale financial assets are subsequently measured at fair value with changes in fair value recognized as other comprehensive income. Financial instruments classified as held-to-maturity; loans and receivables; and other liabilities are subsequently measured at amortized cost using the effective interest rate method.

Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair value is determined by reference to quoted bid or ask prices, as appropriate, in the active market for that instrument to which the Corporation has immediate access.

The Corporation has elected to record embedded derivatives only for contracts or financial instruments entered into or modified after January 1, 2003. As at December 31, 2008, the Corporation does not have any outstanding contracts or financial instruments with embedded derivatives that are required to be separately valued.

**(g) Employees' future benefits**

The Corporation provides a defined contribution plan for all eligible employees. The defined contribution plan is governed by *The Public Employees Pension Plan Act and Regulations* and certain sections of *The Superannuation (Supplementary Provisions) Act and Regulations*. Under the defined contribution plan, the Corporation's obligations are limited to contributions made for current service. When made, these contributions are charged to wages and employee benefits expense.

**(h) Future accounting policy changes**

**International Financial Reporting Standards (IFRS)**

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian generally accepted accounting principles (GAAP) for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year.

SaskPower has commenced its IFRS conversion project and developed a high level IFRS implementation plan. An external advisor has been engaged to assist with the development of this plan and to perform a detailed review of the major differences between current Canadian GAAP and IFRS. At this time, the impact on the Corporation's future financial position and results of operations is not reasonably determined or estimated.

### 3. CHANGE IN ACCOUNTING POLICIES

#### Financial instruments – disclosure and presentation

Effective January 1, 2008, the Corporation adopted the new Canadian Institute of Chartered Accountants Section 3862, "Financial Instruments – Disclosures," and Section 3863, "Financial Instruments – Presentation." These sections replace Section 3861, "Financial Instruments – Disclosure and Presentation." The adoption of these new standards had no material impact on these financial statements.

#### Capital disclosures

Effective January 1, 2008, the Corporation adopted Section 1535, "Capital Disclosures." The adoption of this new standard had no material impact on these financial statements.

#### Inventories

Effective January 1, 2008, the Corporation adopted Section 3031, "Inventories." The new accounting standard provides guidance on the method of determining the cost of the Corporation's inventory; specifies that inventories are to be valued at the lower of cost and net realizable value; and requires the reversal of previously recorded write-downs to realizable value when there is clear evidence that net realizable value has increased. The adoption of this new standard had no material impact on these financial statements.

### 4. PROPERTY AND EQUIPMENT

	2008			2007
	Cost	Accumulated depreciation	Net book value	Net book value
Buildings	\$ 4,761,524	\$ 1,744,257	\$ 3,017,267	\$ 3,136,306
Equipment	508,316	314,206	194,110	189,688
	<b>\$ 5,269,840</b>	<b>\$ 2,058,463</b>	<b>\$ 3,211,377</b>	<b>\$ 3,325,994</b>

### 5. CONSTRUCTION IN PROGRESS WRITE-DOWN

During the previous year, the greenhouse expansion project was abandoned. As a result, the construction in progress amount relating to this project, \$172,214, was written-off. The resulting write-down of \$169,664 has been recorded in the, "write-down of construction in progress." The remaining \$2,550, which represents a SaskPower overhead charge, was charged back to SaskPower and treated as a reduction to the, "due to SaskPower."

### 6. DUE TO SASKPOWER

	2008	2007
Total advances to date	\$ 13,753,217	\$ 13,027,594
Less: total expenses incurred to date	(10,565,634)	(9,683,726)
	<b>\$ 3,187,583</b>	<b>\$ 3,343,868</b>

Amount owing to SaskPower is not secured, non-interest bearing with no fixed terms of repayment.

## 7. SHARE CAPITAL

	#	2006	#	2007
<b>Authorized</b>				
Unlimited Class A non-cumulative, voting common shares				
<b>Issued</b>				
Class A				
Issued and outstanding, beginning of year	10	\$ 10	10	\$ 10
Issued during the year for cash	-	-	-	-
Issued and outstanding, end of year	10	\$ 10	10	\$ 10

All shares are held by the parent corporation, SaskPower.

## 8. FINANCIAL INSTRUMENTS

As part of its operations, the Corporation carries a number of financial instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

The following summarizes the carrying amounts and fair values of the Corporation's financial instruments:

At December 31		2006		2007	
		Asset (liability)		Asset (liability)	
Financial instrument	Classification <sup>4</sup>	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>					
Cash	HFT <sup>1</sup>	\$ 7,005	\$ 7,005	\$ 12,227	\$ 12,227
Accounts receivable	L&R <sup>2</sup>	-	-	109	109
<b>Financial liabilities</b>					
Accounts payable and accrued liabilities <sup>5</sup>	OL <sup>3</sup>	\$ (65,947)	\$ (65,947)	\$ (33,924)	\$ (33,924)
Due to SaskPower	OL <sup>3</sup>	(3,187,583)	-	(3,343,868)	-

1. HFT - held-for-trading.

2. L&R - loans and receivables.

3. OL - other liabilities.

4. The Corporation has not classified any of its financial instruments as either held-to-maturity or available-for-sale.

5. Accounts payable and accrued liabilities exclude GST receivable of \$297 (\$987 in 2007), which is not considered to be a financial instrument.

The carrying amount of cash, accounts receivable, accounts payable and accrued liabilities approximates their fair value due to the short-term maturities of these items.

The Corporation has a loan, due to SaskPower, carried at its cost of \$3,187,583 (2007 - \$3,343,868). The fair value of the financial instrument cannot be reliably estimated because the loan is non-interest bearing and has no set terms of repayment. The shareholder loan represents initial and ongoing financial support from the Corporation's shareholder.

## 9. RELATED PARTY TRANSACTIONS

The Corporation entered into an agreement with SaskPower, its parent, whereby it operates the greenhouse and in turn SaskPower funds the Corporation for costs incurred, which is reflected as contract revenue earned.

Also included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as related parties). Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

Expense	2008	2007
SaskTel	\$ 6,810	\$ 7,566
SaskPower	20,217	21,242

In addition, the Corporation pays Saskatchewan provincial sales tax on all its taxable purchases to the Saskatchewan Ministry of Finance. Taxes paid are recorded as part of the cost of those purchases.

## 10. OTHER REVENUE

Other revenue consists of monies received from a former employee for tuition fees that were previously paid by the Corporation.

## 11. EMPLOYEES' FUTURE BENEFITS

Contributions to the defined contribution plan during the year were \$23,500 (2007 – \$20,300).

## 12. OPERATING, MAINTENANCE AND ADMINISTRATION

	2008	2007
Advertising	\$ 29,811	\$ 7,659
Board indemnity	21,708	21,413
Contract labour	15,247	74,516
Materials and supplies	40,667	45,083
Miscellaneous	2,074	635
Office	11,662	7,999
Professional fees	9,094	5,924
Shipping	5,366	3,915
Telephone	6,810	7,566
Travel and training	18,344	21,484
Vehicle	32,537	31,747
Wages and employee benefits	516,835	423,592
	\$ 710,155	\$ 651,533

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 **SaskPower**  
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Power Greenhouses Inc.  
P.O. Box 280 | Estevan, Saskatchewan  
Canada S4A 2A3  
[saskpower.com](http://saskpower.com)